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SUBJECT: CODEL BARTLETT'S VISIT TO SHANGHAI: JANUARY 1-2

REF: 06 STATE 200708

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11. (SBU) SUMMARY: In a January 1 meeting with Zhou Muyao, Vice
Chairman of the Shanghai Municipal People's Congress, CODEL
Bartlett discussed China's efforts to address energy issues,
especially in the rural sector. Zhou highlighted the strong
ties between the United States and Shanghai and gave an overview
of World Expo 2010 preparations, indicating the United States
had expertise to offer in the area of transportation and
infrastructure. Both parties emphasized the importance of
people-to-people contact through events like the World Expo and
the Olympics and hoped that these events would encourage
cultural understanding, as well as foster constructive dialogue
on important global issues. CODEL Bartlett also met with
Suntech Power Chairman and CEO Shi Zhengrong to discuss the
critical role of government support in developing renewable
energy technologies and the need to increase Chinese awareness
of the importance of sustainable energy. END SUMMARY.

12. (SBU) On January 1, 2007, Representative Roscoe Bartlett
(R-MD) and an eight member Congressional delegation (see list at
paragraph 15), accompanied by Acting Consul General Simon
Schuchat, met with Shanghai Municipal People's Congress (SMPC)
Vice Chairman Zhou Muyao. Zhou was joined by National People's
Congress Foreign Affairs Committee Deputy-Director General Hong
Yingchun, as well as SMPC Standing Committee members Qian
Yongming and Wang Yaoxi.

An Auspicious Start to Deepening U.S.-Shanghai Cooperation

13. (SBU) Vice Chairman Zhou welcomed the delegation as
Shanghai's first official delegation in 2007, noting that this
demonstrated the importance Shanghai placed on close relations
with the United States. As further evidence of this close

relationship, Zhou added that the United States was the number one destination for Shanghai's students studying abroad, number three (behind the European Union) for expatriate residents in Shanghai, number two in terms of foreign direct investment, and number one and two for imports and exports, respectively.

Energy Cooperation: Work Together or Suffer Together

14. (SBU) Rep. Bartlett indicated that the main purpose of the delegation's visit was to understand China's efforts to address energy issues. During his warm welcome in Beijing, Bartlett had been impressed by the National Development and Reform Commission's five point energy development plan, comprising: 1) energy conservation; 2) domestic energy supplies; 3) diversification of reliance on energy sources; 4) environmental protection; and 5) international cooperation, which Bartlett believed was essential -- and would continue to increase in importance -- as the world faced a deficit in fossil fuels in the coming decades. He stressed that energy was a global issue and that nations that did not work together would suffer together. He also noted that officials at the National Development and Reform Commission in Beijing recognized the need to diminish reliance on dwindling oil and natural gas stocks and develop alternative energy resources for the future "post-oil" era.

15. (SBU) In particular, Bartlett said the delegation was interested in learning more about China's plans for fostering sustainable energy in the rural areas and that some members were contemplating a return visit to China this summer. He lauded China's progress in rural energy development, including creating gas from animal waste and harnessing solar energy to generate electricity.

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World Expo 2010: An Opportunity for All

16. (SBU) Rep. Mark Kirk (R-IL) expressed an interest in Shanghai's plans for the World Expo 2010 and inquired about the role the United States could play. He offered that Chicago, a sister city of Shanghai, was keen on spurring international interest in the World Expo and that during a planned May 2007 trip to China, Chicago Mayor Richard M. Daley would likely announce that 2009 would be "The Year of China" in his city. Kirk passed to Zhou a written proposal for further cooperation between the two cities.

17. (SBU) According to Vice Chairman Zhou, preparations for the World Expo 2010 were progressing smoothly. Out of the 200 invitations sent to countries, Zhou noted that between 40 and 50 percent have already accepted, and there are still three years until the event. Zhou emphasized that in this information age, people-to-people contact was still paramount and that Shanghai's chief reason for hosting the event was to give people a greater understanding of Shanghai and China and to allow the Shanghai population to learn from other countries, especially in science and technology development. With the theme "Better City, Better Life," Zhou said that renewable energy could be an important area to showcase during the Expo. He also underscored that the SMPC's Eleventh Five Year Plan pledged to decrease Shanghai's energy consumption by 20 percent and promote the development of sustainable energy strategies.

18. (SBU) Zhou indicated that transportation and infrastructure would be a key component of the World Expo and that the United States had lots of expertise to offer. Shanghai had prioritized transportation development in the hopes of creating a better, smarter public system. He added that the World Expo site was in a former industrial district of the city, an area which city leaders wanted to transform into a more environmentally friendly/ecological area. Zhou believed the World Expo would bring about "development opportunities" that Shanghai hoped to "share with its friends." In the past 10-20 years, Shanghai's

development has increased at a rapid pace due to its cooperation with countries like the United States and Zhou said that he would continue to share updates on World Expo preparations with the Consulate.

¶9. (SBU) Rep. Rick Larsen (D-WA) underscored the importance that global events such as the World Expo, the Olympics, and even athletic exchanges (such as Yao Ming playing for the Houston Rockets) had on fostering cultural understanding and cooperation between nations. He inquired as to Shanghai's role in the 2008 Summer Olympics in Beijing.

¶10. (SBU) Zhou indicated that Shanghai was slated to host some soccer competitions and would likely receive many visitors who would attend the Beijing games. Like the World Expo, Zhou believed the Olympics would be a prime opportunity for people to "see and feel" what was going on in China. He said that Shanghai's athletes were enthusiastically preparing for the Olympics. Zhou noted that Yao Ming is a "Friendship Ambassador" and thanked the American people for warmly supporting him.

¶11. (SBU) Following the meeting, Zhou hosted the delegation to dinner where Zhou and Bartlett discussed history, culture and places of interest in Shanghai.

Renewable Energy: Government Support Equals Development

¶12. (SBU) Rep. Bartlett and the delegation, along with Acting CG Schuchat, also met with Dr. Shi Zhengrong, Chairman and CEO of Suntech Power Holdings Co., Ltd. Shi believed that government support was necessary to foster development of renewable energy technologies. Pointing to Japan and Germany, Shi said that

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subsidies "kicked off the market" in those two countries almost ten years ago by reducing costs exponentially and that their programs now serve as two global models. He explained the Japanese model focused on installation of solar cells by providing an initial 75 percent subsidy for installation costs. Over time, the subsidy was reduced gradually and was now currently zero. According to Shi, the German model created a self-sustaining market for renewable energy by compensating for the distortions in the conventional electricity market. Shi explained that the German model required power companies to purchase, at peak prices, a fixed amount of energy created from renewable energy sources, creating a market for solar power generating facilities. He noted that many German farmers converted their land to "solar farms" and were reaping substantial profits. Shi believed that Germany, Spain, and France continued to have the best regulatory environments for enabling renewable energy development.

China: Increased Awareness is Key

¶13. (SBU) Shi indicated that the PRC government initially gave Suntech Power a three year tax holiday, followed by an additional three years at 50 percent of the prevailing rate. Currently the company is taxed at 15 percent of its profits. While this incentive greatly assisted Suntech Power's rapid development, Shi believed that China could do even more to foster the development of renewable energy. He said that while authorities have focused primarily on wind power, emphasis on solar energy would likely be forthcoming. Part of China's problem, he believed, stemmed from a lack of awareness and understanding of global environmental issues. He noted that only recently have Chinese people realized that rapid economic growth at the expense of a healthy, sustainable environment was meaningless.

¶14. (SBU) Shi also gave an overview of Suntech Power, a leading solar energy company that specializes in the design, development, manufacture and sale of photovoltaic cells for a wide range of commercial and residential applications. Shi started the company in 2001 with USD 6 million (mainly from

government shareholders) and expanded production at a low cost when the company acquired equipment from a fledgling company in ¶2004. Shi noted that Suntech was the first private Chinese company listed on the New York Stock Exchange (NYSE: STP). He explained that the initial public offering raised USD 400 million. While the company had mainly focused on the European market, specifically Germany, Spain and Italy, Shi noted that the company was expanding into the U.S. market. In 2006, the company did over USD 650 million in sales, and the 2007 plan is to increase the efficiency of Suntech's products while decreasing their weight and manufacturing costs. Suntech Power's main competitors are Sharp and Sun Power.

¶15. (SBU) Rep. Bartlett's delegation included: Rep. Mark Kirk (R-IL), Rep. Rick Larsen (D-WA), Rep. Steve Israel (D-NY), Del. Madeleine Bordallo (D-Guam), Rep. Thelma Drake (R-VA), Rep. Phil Gingrey (R-GA), Rep. Randy Neugebauer (R-TX), and Rep. Susan Davis (D-CA).
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